

LONG TERM ECONOMIC FORECAST

San Diego County

CURRENT SETTING

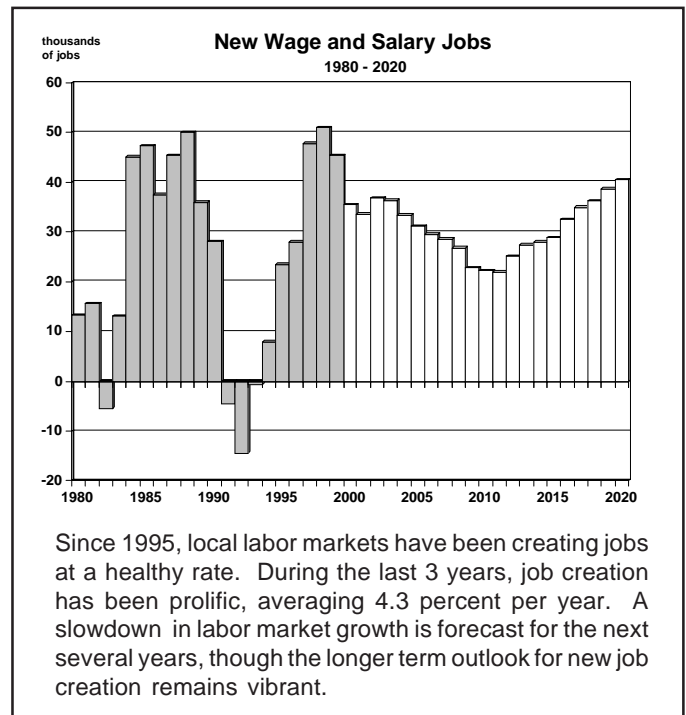
The tourism economy of San Diego is largely responsible for the significant job growth in the retail and services sectors since 1997. Also, chemical and drug manufacturing, and the technology services industry are largely responsible for the prolific job growth in the County in 1998 and 1999.

San Diego is the second most populous County in California, with 2.94 million people. The rate of growth has exceeded 2 percent per year in each of the last three years. The fastest growing industry since 1995 has been construction, adding 30,000 new workers and 54,000 new dwelling units.

The U.S. Navy's presence in San Diego County is still significant with over 20,000 military personnel and civilian employees. However, state and local education comprises the dominant share of public sector employment, increasing by an average 3,300 jobs each year since 1995. The unemployment rate in the County is currently at an unprecedented low of 2.6 percent.

FORECAST SUMMARY

- Wage and salary employment is forecast to increase at an average annual rate of 2.1 percent from 2000 through 2020. Most of this growth is expected to be in the services sector, which accounted for 32.7 percent of all of the county's jobs in 1999 and is forecast to contribute 40 percent of the total employment by 2020.
- Real per capita personal income is forecast to grow from \$26,641 in 1999 to just under \$40,000 (1999 dollars) in 2020. At an average of 1.9 percent annually, this rate of growth matches the forecast for California as a whole.
- The forecast for net migration is an average of 18,930 people per year. No less than 13,000 more in-migrants than out-migrants are forecast for any year between 2000 and 2020.
- Inflation-adjusted consumer spending in the form of retail sales is forecast to increase an average of 2.8 percent a year through 2011. This rate of change is expected to speed up to an annual average of 3.3 percent for the 2012



to 2020 period, as a result of the acceleration in per capita income.

EMPLOYMENT

Job growth has been spectacular in San Diego County since 1996. Labor markets have recorded average annual employment gains of 4.3 percent per year. The creation of jobs has now started to subside because rates of increase beyond 3 percent in mature economies are not usually sustainable. In 2000, employment will increase an estimated 3.2 percent.

Business services has added significant numbers of new jobs since 1995, along with the construction industry and state and local education. All three sectors are at record levels of employment. Job creation in business services and the public sector is expected to remain strong over the next five years but new job creation in construction will be limited. Residential development is currently at a peak in the county and fewer new housing permits per year are forecast over the next 10 years. This expectation also applies to new non-residential development.

The growing retirement age population will demand greater healthcare services at an accelerated rate during the first decade of the new millennium. There will be no letup between the 2010 and 2020 period. Consequently, biotechnology and healthcare employment are expected to rise throughout the forecast period. Service sector jobs in general are forecast to average 3.4 percent increases between 2000 and 2010, and 2.8 percent increases between 2010 and 2020.

Public sector jobs are expected to grow an average of 2.4 percent per year between 2000 and 2010. Education jobs will be in demand to accommodate the growing population of 5 to 17-year-olds during this period.

INCOME

Personal income grew 6.5 percent in 1999, and per capita income rose 4.8 percent. Adjusted for inflation, per capita income improved 2.1 percent in 1999. Personal income is forecast to rise an average 6.2 percent per year between 2001 and 2010, and 5.8 percent thereafter. Inflation adjusted per capita income will grow 1.7 percent per year until 2010, and 2.0 percent thereafter.

Adjusting for inflation, earnings per worker improved 1.4 percent in 1999 to \$37,694. Average earnings are expected to increase 1.7 percent per year between 2000 and 2010.

ECONOMIC FORECAST: DEMOGRAPHICS, INCOME, SALES

year	Popula- tion	Net Migra- tion	Regis- tered Vehicles	House- holds	New Housing Units	Retail Sales	Personal Income	Real Per Capita Income	Farm Crop Sales	Indus- trial Output
	people	people	millions of veh.	thousands of homes	homes	billions of \$	billions of \$	1999 \$ per person	millions of \$	billions of 1999 \$
1995	2,669,280	-9,722	1.98	931	6,608	\$16	\$60	\$24,315	\$1,049	\$14
1996	2,694,956	-1,112	2.03	938	6,868	\$17	\$64	\$25,010	\$1,114	\$15
1997	2,763,318	43,007	1.95	944	11,402	\$18	\$68	\$25,546	\$1,139	\$16
1998	2,823,630	40,720	2.10	952	12,173	\$20	\$72	\$26,194	\$1,178	\$18
1999	2,884,572	30,335	2.08	962	16,427	\$22	\$77	\$26,726	\$1,208	\$19
2000	2,943,001	24,495	2.15	978	17,031	\$24	\$82	\$27,434	\$1,242	\$20
2001	3,005,038	23,553	2.18	995	16,314	\$25	\$88	\$28,013	\$1,281	\$20
2002	3,066,423	24,503	2.21	1,010	15,837	\$27	\$93	\$28,511	\$1,318	\$21
2003	3,121,211	24,573	2.23	1,025	15,516	\$28	\$99	\$28,820	\$1,362	\$22
2004	3,171,190	23,516	2.25	1,040	15,135	\$30	\$105	\$29,112	\$1,411	\$23
2005	3,217,204	22,137	2.28	1,055	14,911	\$31	\$111	\$29,590	\$1,458	\$24
2006	3,263,674	20,073	2.31	1,069	14,935	\$33	\$119	\$30,169	\$1,504	\$25
2007	3,312,335	19,198	2.34	1,083	15,038	\$35	\$126	\$30,650	\$1,549	\$25
2008	3,358,049	18,469	2.37	1,098	15,070	\$36	\$134	\$31,324	\$1,595	\$26
2009	3,401,052	16,569	2.40	1,112	14,869	\$38	\$142	\$31,939	\$1,638	\$27
2010	3,441,436	14,964	2.42	1,126	14,899	\$40	\$150	\$32,550	\$1,681	\$28
2011	3,474,435	13,244	2.45	1,141	15,051	\$42	\$158	\$33,144	\$1,720	\$29
2012	3,509,738	13,778	2.47	1,155	15,643	\$44	\$167	\$33,783	\$1,760	\$30
2013	3,548,462	14,812	2.50	1,170	16,325	\$46	\$177	\$34,484	\$1,800	\$31
2014	3,590,527	15,434	2.53	1,186	16,902	\$48	\$187	\$35,156	\$1,841	\$32
2015	3,644,076	15,688	2.56	1,202	17,454	\$51	\$197	\$35,765	\$1,885	\$33
2016	3,699,952	15,999	2.59	1,219	18,242	\$54	\$209	\$36,454	\$1,931	\$34
2017	3,755,612	17,551	2.62	1,236	19,073	\$57	\$221	\$37,148	\$1,978	\$35
2018	3,810,062	18,460	2.66	1,255	19,825	\$60	\$235	\$37,920	\$2,027	\$36
2019	3,863,444	19,362	2.69	1,274	20,564	\$64	\$249	\$38,765	\$2,075	\$38
2020	3,917,001	21,146	2.72	1,293	21,234	\$67	\$265	\$39,639	\$2,124	\$39

Note: Historical data is shown for the years 1990 to 1999; forecasts begin in the year 2000

HOUSING AND DEMOGRAPHICS

The high rates of net in-migration are expected to diminish beginning this year. In each of the last three years, more than 30,000 new migrants per year relocated in San Diego County. Net migration is not expected to match those levels again over the entire forecast period.

The demand for housing will therefore moderate. Affordability concerns will keep demand growth in check. Median selling prices in the coastal areas of the County are now in excess of \$400,000.

The number of new residential units permitted is expected to range from 14,000 to 17,000 per year over the forecast period. Housing densities will still rise, from 3.0 in

1999 to 3.2 in 2020.

Registered vehicles are expected to increase an average of 1.3 percent a year over the forecast horizon, rising from 2.1 million in 1999 to 2.7 million in 2020.

Department of Finance projections of population imply an average 1.3 to 1.6 percent growth rate per year over the entire forecast period.

ECONOMIC FORECAST: EMPLOYMENT

Total Wage & Salary	Farm	Cons- truction	Mining	Manu- fac- toring	Trans. & Public Utilities	Trade	Finance, Insurance, Real Estate	Total Services	Gov- ern- ment
----- thousands of jobs -----									
989	10.8	43.6	0.3	114.9	37.4	229.5	55.8	310.9	186.1
1,017	11.0	45.5	0.4	117.5	38.3	235.9	57.4	321.2	190.1
1,065	10.8	53.0	0.4	123.1	41.6	244.0	60.9	339.3	192.0
1,116	10.6	61.8	0.3	127.6	47.0	249.4	65.3	359.6	194.5
1,162	11.3	66.4	0.3	128.3	51.9	255.3	68.7	380.0	199.3
1,196	11.1	70.6	0.3	127.1	54.7	263.3	69.5	393.6	206.3
1,231	10.8	71.8	0.3	126.8	56.8	270.9	70.4	410.5	213.1
1,268	10.6	72.6	0.3	128.2	58.7	278.3	71.2	428.7	219.7
1,305	10.5	73.4	0.3	130.1	60.6	285.0	72.0	446.6	226.2
1,338	10.3	73.7	0.3	131.7	62.3	291.2	72.7	463.4	232.4
1,369	10.1	73.9	0.3	133.2	64.0	296.8	73.3	479.3	238.3
1,399	10.0	73.7	0.3	134.4	65.6	301.9	73.9	495.1	243.8
1,427	9.9	73.5	0.3	135.5	67.2	306.8	74.4	510.8	248.9
1,454	9.7	73.0	0.3	136.2	68.7	311.4	74.9	526.3	253.5
1,477	9.6	72.6	0.3	137.1	70.1	315.8	75.3	538.6	257.5
1,499	9.5	72.4	0.3	138.1	71.4	320.2	75.7	550.8	260.8
1,521	9.4	72.3	0.3	139.3	72.7	324.5	76.0	562.5	263.9
1,546	9.4	72.7	0.3	140.7	74.1	329.0	76.4	576.7	267.0
1,574	9.3	72.9	0.3	142.0	75.6	333.9	76.8	592.4	270.4
1,602	9.2	73.1	0.3	143.3	77.2	339.1	77.2	607.8	274.2
1,630	9.1	73.2	0.3	144.5	78.9	344.6	77.7	623.7	278.5
1,663	9.1	73.3	0.3	145.7	80.7	350.5	78.2	642.4	283.0
1,698	9.0	73.6	0.3	147.0	82.6	356.7	78.7	662.3	287.8
1,734	9.0	74.0	0.3	148.2	84.6	363.4	79.4	682.5	292.9
1,773	8.9	75.0	0.3	149.8	86.7	370.7	80.1	703.0	298.4
1,813	8.8	75.3	0.3	151.3	88.9	378.7	80.8	724.9	304.3

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